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Instructional Plans for
Teachers of Vocational
Agriculture

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Corn-Hog Series
Unit Number 3 Agriculture

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Adjustment Administration
Division of Information

and

UNITED STATES DEPARTMENT OF THE INTERIOR
Office of Education, Division of Vocational Education
Agricultural Education Service
Cooperating

UNIT NUMBER 3

Plans for developing the distinction between price level and price relationship.

INSTRUCTIONAL OBJECTIVE

To develop an understanding of the distinction or difference between price level and price relationship and the significance of price relationships as related to the welfare of farmers.

MATERIALS AND SOURCES

I. Prices of farm products - from "Crops and Markets" Vol. 11, No. 10
PP. 388-389

<u>YEARS</u>	<u>HOGS PER 100 LBS. (Dol.)</u>	<u>INDEX FIGURES</u>	<u>CORN PER BUSHEL (Cents)</u>	<u>INDEX FIGURES</u>
5 Year Avg. Aug. 1909 to July 1914	7.22		64.2	
1929 - Sept. 15	9.53		97.2	
1930 - " "	9.44		91.7	
1931 - " "	5.44		43.2	
1932 - " "	3.78		28.0	
1933 - " "	3.73		46.5	
1934 - " "	6.04		77.4	

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II. Selected Index Numbers - from "Agricultural Situation" -Vol. 18,
No. 11, Nov. 1, 1934

<u>YEARS</u>	<u>FARM PRICES - SEVEN GROUPS OF FARM COMMODITIES</u>	<u>PRICES PAID BY FARMERS</u>	<u>RATIO OF PRICES RECEIVED TO PRICES PAID</u>
Aug. 1909 - July 1914	100	100	100
1917	175	149	117
1918	202	176	115
1921	125	152	105
1927	139	153	91
1932	65	107	61
1933	70	109	64
October 1934	100	126	79

PROCEDURE AND EXPECTED OUTCOMES

I. Place upon the blackboard the prices of corn and hogs as given above in Materials and Sources.

II. What do these prices mean?

Bring out through discussion, the fact that as the figures stand the level of price is revealed for selected dates. Hogs, for instance, on September 15, 1933, were much lower in price than during the period August, 1909, to July, 1914, etc.

III. Is it possible to compare the price of corn and hogs at any given date?

How can this be done easily and accurately?

How do the prices of corn and hogs compare on September 15, 1934?

Use such questions to show the need for some accurate means of comparing prices.

IV. Discuss with the farmers the reason why the period from August, 1909, to July, 1914, can be taken as a standard or base period. At that time the relationship between prices of farm commodities and prices of things farmers buy was relatively satisfactory and for that reason the period was selected as a base.

Place in the column spaces left for index numbers the figure 100. In other words, the index number for hog prices for the base period is 100, and the index number for corn prices for the base period is 100.

V. Demonstrate how index numbers are determined by using the following equation:

• Regional Rock-Unit
• Geologic Units

Price at any given time $\times 100$
Price during base period

Examples: $\frac{6.04}{7.22} \times 100 = 83.6 \text{ or } 84$ Index number for price of hogs - Sept. 15, 1934

$\frac{77.4}{64.2} \times 100 = 120.5 \text{ or } 121$ Index number for price of corn - Sept. 15, 1934

Have farmers figure the index numbers for the other prices in the table.

VI. Reading index numbers.

The price of hogs on September 15, 1934, was 84 percent of the base or pre-war period, while the price of corn was 121 percent of the base period.

Note: By helping farmers to compute and read these index figures or numbers it may be assumed that the farmer's ability to understand such figures has been developed to some extent. It may be assumed that farmers will be increasingly confronted with tables and charts using index numbers and for that reason farmers should be able to read and understand such material. At every opportunity give the farmers an opportunity to interpret such material and guide them in developing this ability.

VII. The previous material illustrates price level and measures or indices of price level. At this point introduce the following question. It would be well to place the question upon the blackboard.

What is it that determines whether or not a price is satisfactory?

Secure from the farmers answers to the question. Do not attempt to settle the question, but develop the discussion to arouse interest and direct attention.

VIII. When the time seems appropriate copy upon the blackboard the selected index figures listed under 2 Materials and Sources. Leave blank the column "Ratio of prices received to prices paid."

Note: Techniques for saving time in presenting tabular material not prepared in regular chart form.

(1) Before the group assembles for discussion place the material upon strips of blackboard that may be hung up. Such blackboard may be prepared by painting heavy brown wrapping paper with ordinary blackboard dressing obtainable from school janitors or school supply firms. All-day students in farm shop can easily reprepare in a very short time all the blackboard needed. If material is to be written on the blackboard and erased, first go over the new blackboard surface with an eraser in order to put on a light coating of chalk dust.

Blackboard prepared in this manner may be used just like any blackboard. Secure suction disk hangers that will permit hanging the blackboard upon smooth surfaces.

(2) Before the group assembles place the tabular or graphic material upon the blackboard. Include all the data and headings except certain items which give the material meaning. Write these in when the material is desired for use. By using such a plan, time may be saved and at the same time the material does not become "old stuff" by the time it is intended for use. Also, if the meaning of the material is not made clear until the time it is wanted the teacher has much greater control and direction of attention. It is often advisable to have students make guesses or estimates as to the material left out just to arouse curiosity and quicken attention. Study each table or graph to be so presented for "strategic" headings or figures which may be omitted until just the appropriate time or "psychological moment."

IX. Guide the farmers in determining the meaning of the index figures for prices received and prices paid by farmers. Explain how these figures were obtained in the same manner as the index figures were arrived at for corn and hogs (previous exercise). These index figures are merely more complex because they represent farm prices for many farm commodities and for many commodities farmers buy. Here is an opportunity to point out the services of economists and statisticians.

X. Reading the index figures. Guide the farmers in reading the figures as for example:

In the year 1917 the prices farmers received were 175 percent of those for the base period while the prices farmers paid were only 149 percent of those for the base period. In other words the farmer had an advantage because the money from the sale of the same volume of goods sold during the base period would buy more goods in 1917 than during the base period. Example: The sale of 100 pounds of hogs in 1917 would bring enough money to buy relatively more goods in 1917 than the sale of 100 pounds of hogs during the base period. In the year 1932, the conditions were reversed and the farmer was at a disadvantage as to prices received and paid.

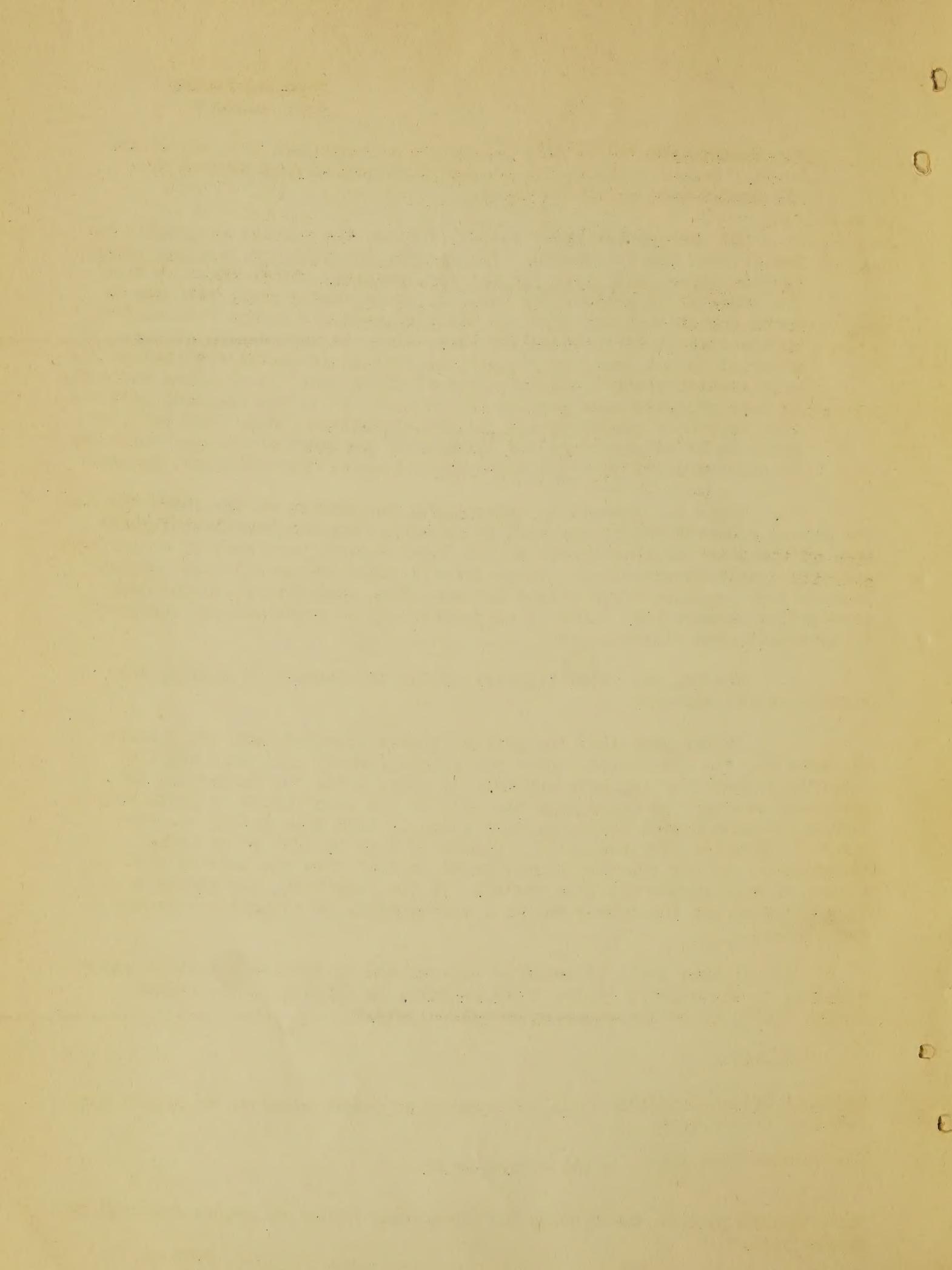
XI. At this point it would be appropriate to develop a further understanding of the meaning of the index numbers, by filling in the column headed "Ratio of prices received to prices paid."

Equation

Index of Prices Received $\times 100 =$ Ratio of prices received to prices paid.
Index of Prices Paid

For October 1934 $\frac{100}{126} \times 100 = 79.3$ or 79.

Have farmers prepare the figures for the column "Ratio of prices received to Prices paid."



XII. Reading and interpretation.

In October 1934 the prices farmers received were 79 percent of the prices paid. In other words the sale of a given volume of farm commodities would purchase about 79 percent of what it would during the base period.

From the previous work guide the farmers in arriving at the conclusion that it is not the level of prices that is important but the relationship between prices for different commodities.

After completing this work bring up such a question as the following:

What has been the trend of price relationship between farm products sold and prices paid by farmers for the past few years?

This question is for purposes of leading up to the presentation of the chart on price relationships. The plans for this presentation constitute unit No. 4.

